



# BEST PRACTICES IN REGIONAL AND LOCAL ECONOMIC DEVELOPMENT

PREPARED FOR



**TAMERICA**  
MANAGEMENT COMPANY

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Technology Assessment•Strategic Planning•Organization Design•Site Selection

**August, 2009**

## EXECUTIVE SUMMARY

Tamerica Management Company conducted an analysis of “Best Practices” in regional and local economic development during April-May 2009. Thirty “benchmark” organizations were identified to survey and interview. The development organizations were selected based on their reputations in the development industry, national awards they had received, reputations within the site selection industry, Tamerica’s consulting experience, and past growth that was above the national average for similar sized communities. Budget and salary information was collected from twelve regional organizations and subsidiaries they control, and from their IRS tax returns. This data was supplemented with a survey of Best Practices for the same organizations. Eleven of the thirteen regional organizations completed some portions of the survey while six completed the entire instrument. For the local EDOs, thirteen of the 18 completed some portion of the survey while seven completed all of the questions. The survey was supplemented with interviews with a subset of the regional and local EDOs to collect more detailed data and to better understand innovative practices. This report condenses our findings about EDOs from all three of our information sources: interviews, surveys, and tax returns. Profiles for regional EDOs are first, followed by profiles on local EDOs. The report ends with our conclusions about Best Practice EDOs and what accounts for their excellent performance.

### Profile of Best Practice Regional EDOs

- Augment the marketing resources in a region. Good regional programs stretch the financial resources for economic development within a community by 40 percent on a per capita basis. Regional programs spend five times as much money on public relations, promotion, and marketing as their local counterparts.
- Represent a region with five to sixteen counties having a population between 270,000 and 2,100,000 that typically encompasses twelve political jurisdictions.
- Typically operate on a budget of \$5 million, which equates to per capita spending levels of \$4.50 per resident in the region.
- Typically spend 35 percent of their budget on compensation and about \$.40 per capita on direct marketing and promotion.
- Pay their CEO between \$227,000 and \$260,000 per year.
- Are organized as a private non-profit entity with a typical sized board of 24 directors, of which two or fewer are elected officials from the political jurisdictions in the region.
- Raise 20 percent or less of their revenues from government sources.
- Have the following core functions:
  - Marketing and regional promotion/prospect handling
  - Research



- Information sharing and technical assistance to local EDOs in region
  - Maintain an inventory of available buildings and sites within the region using a GIS system
  - Support, but do not lead, BRE efforts of local EDOs
- Average four full-time and two part-time staff dedicated to marketing and prospecting.
- Work with companies relocating from one community to another within their region.
- Have a full time research staff of at least one person.

### Profile of Best Practice Local EDOs

- Serve a single county with population ranging from 28,000 to 600,000.
- On average, operate on a budget of \$2.5 million or about \$9.00 per resident of their region.
- Have less than 20 percent of their budget from government sources.
- Are likely to be 501 (c) 6 organization but can also be organized as another form of non-profit or as a government chartered industrial authority.
- Have a median size board of 23 with one elected official as a director.
- Have a board that selects its own members.
- Have a staff of eight.
- Spend 57 percent of the budget on employee compensation, nearly twice as high as in regional EDOs.
- Pay their CEO an average of \$187,000.
- Spend eleven percent of their budget on recruitment marketing, another three percent on advertising, and five percent on travel, but less than two percent on research and BRE which are considered core functions.
- Have the following core functions:
  - Marketing and promotion of the community, including handling prospect visits
  - Business retention and expansion
  - Develop their own portfolio of sites and buildings to support marketing
  - Often handle workforce development and training and small business-entrepreneurship development
- Typically spend a fourth as much on marketing as the regional counterparts.
- Average a full-time marketing and promotion staff of two.
- Lack any dedicated research staff, either full or part-time.
- Typically, work with a regional EDO on marketing and promotion.
- Have not been successful at building a local brand.



## Conclusions: How are Best Practice EDOs Different?

What distinguishes Best Practice EDOs from their counterparts? Our Balanced Scorecard for Economic Development gives a framework for answering this question (see Figure 1). We conclude that Best Practice EDOs excel because they:

1. Operate with a clear vision of how their organization will work toward the desired vision for the future of their community that is widely held by local leaders.
2. Have written strategic plans that guide their overall activities. These strategies keep leaders focused on actions that lead to long-term improvements.
3. Have a focused mission. For local EDOs, the mission includes real estate development as well as marketing and business retention.
4. Have a preponderance of private sector funding that gives leaders the flexibility of focusing on long-term goals.
5. Have state support and statutory authority that limits the level of time spent on fundraising by senior leaders.
6. Measure performance based on stakeholder and customer feedback rather than on announcements, jobs created, or other measures that can't be directly controlled by EDO executives.
7. For regional EDOs, have effective lead dissemination systems that are transparent, fair, and developed with input of the local EDOs. Effectiveness comes from the recognition by EDOs that they have to customize the process for their members rather than copy one used successfully in other regions.
8. Rely less on advertising and direct mail than their traditional counterparts.
9. Use widely accepted software and internal business processes.
10. Have a corporate culture that is focused on external conditions (customers and markets trends) rather than internal processes.
11. Have a commitment to the extended use of training and innovation tools.
12. Are in a community environment that has the attitude supporting the need to acquire and maintain top talent, which is often less true for traditional EDOs.

In our view, the aspect of Best Practice organizations that is most different from traditional EDOs is that they recognize that talent is the most important competitive asset in economic development, so they are willing to pay top dollar to recruit it. Best Practice EDOs pay much higher salaries than their counterparts. Salary levels are much higher than prevailing salaries in local markets and often exceed salaries paid to city managers, the chamber of commerce executive, or other non-profit leaders in town. The caliber of executive talent in EDOs is the asset that best explains their excellent performance. It matters more than software, internal business processes, performance measurement systems, or any of the other assets that the organization controls.



Figure 1. The Balanced Scorecard Model

